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**UNITED STATES BANKRUPTCY COURT**  
**CENTRAL DISTRICT OF CALIFORNIA – LOS ANGELES DIVISION**

In re

SKYLOCK INDUSTRIES, INC.

Chapter 11 Debtor and  
Debtor-In-Possession.

Case Number: 2:24-bk-17820-BB

Chapter 11

**DEBTOR'S OBJECTION TO COURT'S  
OSC RE APPOINTMENT OF A  
CHAPTER 11 TRUSTEE**

**HEARING DATE/TIME/PLACE**

Date: December 10, 2024

Time: 11:00 a.m.

Place: 255 East Temple Street,  
Los Angeles, CA90012  
Courtroom 1539

**TO THE HONORABLE SHERI A. BLUEBOND, UNITED STATES  
BANKRUPTCY JUDGE AND TO ALL PARTIES ON THE ANNEXED SERVICE  
LIST: SKYLOCK INDUSTRIES, INC.** a California corporation and the debtor and  
debtor in possession ("Debtor") in the above-captioned Chapter 11 proceeding, hereby  
moves ("Motion") hereby responds to the Bankruptcy Court's ORDER TO SHOW  
CAUSE RE APPOINTMENT OF CHAPTER 11 TRUSTEE as set forth herein.

**WHEREFORE**, the Debtor respectfully request that the Court discharge its Order  
to Show Cause and permit the Debtor to continue its restructuring efforts.

1 Respectfully submitted this December 6, 2024.

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3 JEFFREY S. SHINBROT, APLC

4 By: /s/ Jeffrey S. Shinbrot

5 JEFFREY S. SHINBROT, ESQ.

6 Proposed Reorganization Counsel for  
7 Debtor-In-Possession  
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**RESPONSE TO ORDER TO SHOW CAUSE**

**I.<sup>1</sup>**

**BACKGROUND FACTS**

The Court correctly observes the tension between the Debtor's estate and its Debtor's managing agent Jeffrey B. Crevoiserat on the one hand and the Debtor's pre-Petition lenders Adhara Aerospace and Defense LLC/Pasadena Private Lending, LLC ("Adhara") and the Debtor's president Jim Pease on the other hand; however, these unusual facts do not warrant the appointment of a chapter 11 Trustee. Mr. Crevoiserat is clear that his fiduciary duties lie with the bankruptcy estate and he has, since the outset of the chapter 11 case, advocated for the employment of an independent Chief Restructuring Officer to calm the concerns voiced by Adhara and in light of his significant pre-Petition claims for loans that he made to the Debtor. Mr. Pease, despite his concerns, is working with the Debtor to continue its operations.<sup>2</sup>

Right now, the Debtor's business prospects are improving and the appointment of a Trustee is unwarranted because:

1. The Debtor is current on its Monthly Operating Reports (it is keeping adequate records);
2. The Debtor is fully insured;
3. The Debtor's business model has improved;
4. The Debtor's most recent financial report to the Court is accurate;
5. The value of the Debtor's assets are not diminishing; and
6. The Debtor will timely propose a reorganizing chapter 11 plan.

The Debtor admits that the first weeks of its chapter 11 case were difficult, but there was no fraud, dishonesty, incompetence, or gross mismanagement that warrants appointment of a trustee.

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<sup>1</sup> This response is based on the annexed Declaration of Jeffrey B. Crevoiserat and the record of the instant chapter 11 case.

<sup>2</sup> Mr. Pease has retained highly knowledgeable bankruptcy counsel which has assisted in communications between the Debtor and Mr. Pease.

II.

**STANDARD FOR APPOINTMENT OF A TRSUTEE HAS NOT BEEN MET**

11 U.S.C. Section 1104(a) that prior to confirmation of a chapter 11 plan "on request of a party in interest or the United States trustee, and after notice and a hearing, the court shall order the appointment of a trustee — (1) for cause . . . or (2) if such appointment is in the interests of creditors, any equity security holders, and other interests of the estate. "Cause" includes "fraud, dishonesty, incompetence, or gross mismanagement of the affairs of the debtor by current management . . . or similar cause." 11 U.S.C. Section 1104(a)(1).

The standard to appoint a chapter 11 trustee is very high, especially during the first months of a chapter 11 case. ("The appointment of a trustee in a chapter 11 case is an extraordinary remedy, and there is a strong presumption in favor of allowing the debtor to remain in possession." *In re Heck's Props.*, 151 B.R. 739, 756 (S.D. W. Va. 1992). *In re Taub*, 427 B.R. 208, 225 (Bankr. E.D.N.Y. 2010) ("The appointment of a trustee is an unusual remedy and '[t]he standard for § 1104 appointment is very high . . . ." (quoting *Adams v. Marwil (In re Bayou Grp., LLC)*, 564 F.3d 541, 546 (2d Cir. 2009))). In considering the appointment of a trustee, the ultimately should conduct a cost/benefit analysis and "balance the benefit to be gained from such an appointment against the detriment to the reorganization effort and the rights of the debtor that may result from such an appointment." *In re Hamilton* , No. 11–07491, 2012 WL 2204904, at \*3 (Bankr. E.D.N.C. June 14, 2012) (quoting 7 Collier on Bankruptcy ¶ 1104.02[3][b] (Alan N. Resnick & Henry J. Sommer eds., 16th ed.)). The appointment of a trustee is not warranted where "fraud and dishonesty have been alleged but not proven." *In re Concord Coal Corp.*, 11 B.R. 552, 553 (Bankr. S.D. W. Va. 1981)

This high standard has not been met. There is no evidence of fraud, incompetence or gross mismanagement. The bookkeeping issues, which are not unusual in the first weeks of a chapter 11 case when a small business debtor is transitioning to the requirements of a debtor-in-possession (and especially here with opposition by Adhara to every action taken by the Debtor in the first months of the case), have been resolved. The

1 budget filed with the Court on November 18, 2024 [ECF Dkt. No. 112] is accurate, the  
2 Debtor is providing herewith the updated report which includes actual numbers through  
3 November 23, 2024.

4 As to the financial condition of the Debtor, the Debtor's accounts receivables are  
5 relatively the same as the Petition Date, cash is also stable. Importantly, the Debtor is  
6 converting more materials to finished goods because some customers are willing to  
7 purchase materials to finish goods (relieving the Debtor of this cash outlay). The Debtor's  
8 business has stabilized and as set forth in the annexed declaration, is improving, with the  
9 potential for large sales to Boeing and Spirit AeroSystems in the near future.

10 The Debtor should therefore be allowed to continue in possession and propose its  
11 reorganizing chapter 11 plan.

12 **WHEREFORE**, the Debtor respectfully request that the Court discharge its Order  
13 to Show Cause.

14 Respectfully submitted this 6<sup>th</sup> day of December, 2024

15 JEFFREY S. SHINBROT, APLC

16 By: /s/Jeffrey S. Shinbrot  
17 JEFFREY S. SHINBROT, ESQ.  
18 Reorganization Counsel for  
19 Debtor-In-Possession  
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**DECLARATION OF JEFFREY B. CREVOISERAT**

I, JEFFREY B. CREVOISERAT, declare as follows:

1. I am over the age of eighteen and I am the managing agent of Skylock Industries' chapter 11 case. As to the following facts, I know them of my own personal knowledge, except where stated on information and belief, and if called as a witness, I could and would testify as set forth herein. I am one of the custodians of the books and records of the Debtor and I have gained knowledge of such records which were made at or about the time of the events recorded, and which were maintained in the ordinary course of the Debtor's business at or near the time of such acts, conditions or events to which they relate, any such document was prepared in the ordinary course of the business of the Debtor by a person who had personal knowledge of the event being recorded and had or has a business duty to record accurately such event.

2. On September 26, 2024 ("Petition Date"), Skylock Industries (the "Debtor") filed a voluntary petition for relief under Chapter 11 of the United States Bankruptcy Code ("Bankruptcy Code"). The Debtor is continuing in the operation and management of its business as a debtor-in-possession pursuant to Sections 1107 and 1108 of the Bankruptcy Code.

**Facts Relevant to the OSC**

3. I am the Chairman of the Board of Directors of the Debtor and I was appointed by the Debtor's board of directors, including by board member Jim Pease, to be the managing agent of the Debtor in this bankruptcy case.

4. Mr. Pease has been the day to day manager of the Debtor's business operations for many years. My education, experience and background is in finance, including in distressed assets, and I understand my fiduciary duties to the bankruptcy estate and I believe that I am well suited to be the Debtor's managing agent while Mr. Pease manages the Debtor's manufacturing operations.

5. Nonetheless, from the outset of the case, I have advocated for the employment of an independent Chief Restructuring Officer to calm the vitriol from

1 Adhara and in light of my significant pre-Petition claims for loans that I made to the  
2 Debtor.

3 6. The Debtor's business prospects are improving and the Debtor is current on  
4 its Monthly Operating Reports (it is keeping adequate records), the Debtor is fully  
5 insured, the Debtor's business model has improved, the Debtor's most recent financial  
6 report to the Court is accurate and the value of the Debtor's assets are stable.

7 7. The Debtor is currently attempting to negotiate a consensual plan, but in any  
8 event will timely propose a reorganizing chapter 11 plan.

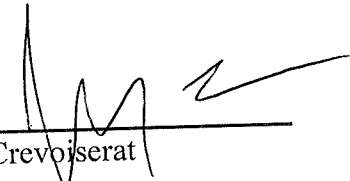
9 8. The first weeks of the Debtor's chapter 11 case were difficult as we were  
10 dealing with transition to post-Petition operations; however, I believe that the Debtor's  
11 most recent projections filed with the Bankruptcy Court and the projections (with actual  
12 numbers where indicated), annexed hereto as Exhibit 1 are accurate.

13 9. The Debtor's business model has improved since the bankruptcy filings.  
14 The Debtor is converting more materials to finished goods because some customers are  
15 willing to purchase materials, relieving the Debtor of this cash outlay. One specific  
16 example is a customer who recently agreed to fund the purchase of approximately \$11,000  
17 of raw materials to be used in completing assemblies that the customer has on order to and  
18 which will result in \$276,000 in sales once that order is completed. This same customer  
19 has an additional \$400,000 of orders for which the customer has tentatively agreed to  
20 purchase raw materials

21 10. I am also informed that Mr. Pease is working on sales to Boeing and Spirit  
22 AeroSystems that may result in total sales of between \$500,000 and 750,000 in the near  
23 future.

24 I declare penalty of perjury under the laws of the United States of America that the  
25 foregoing is true and correct.

26 Executed on December 6, 2024 at Milan, Italy.

27   
Jeffrey B. Crevoiserat

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# **SKYLOCK INDUSTRIES**

## **Cash Flow Forecast**

7-Nov-24		(9 - Days)												
Week Ending 2024:		5-Oct	12-Oct	19-Oct	26-Oct	2-Nov	9-Nov	16-Nov	23-Nov	30-Nov	7-Dec	14-Dec	21-Dec	28-Dec
		(Actual)	(Actual)	(Actual)	(Actual)	(Actual)	(Actual)	(Actual)	(Actual)					
<b>Accounts Receivable Summary:</b>														
Beginning AR		439,607	512,020	512,152	513,759	488,815	487,017	413,918	420,914	440,439	453,849	429,820	414,305	332,237
Sales (Assume Boeing Strike into November)		128,495	83,775	36,306	51,151	16,804	72,440	52,987	68,817	32,551	51,613	80,000	10,000	50,000
Collections		(55,950)	(83,644)	(34,699)	(76,095)	(18,602)	(145,539)	(45,991)	(49,293)	(19,140)	(75,642)	(95,516)	(92,068)	(73,830)
Ending AR		512,152	512,152	513,759	488,815	487,017	413,918	420,914	440,439	453,849	429,820	414,305	332,237	308,407
Beginning Cash		(Sept 27th)												
Skylock Accounts		19,217	32,520	30,685	20,859	36,150	9,153	89,022	39,282	29,822	11,011	23,390	41,223	59,532
<b>Cash Receipts</b>														
Short-Term Loan (shareholders)														
Short-Term Credit Facility (DIP Financing))														
Proceeds Equipment Sales and Spirit Sales											0			
Shareholder Capital Investment														
A/R Collections estimated		55,950	83,644	34,699	76,095	18,602	145,539	45,991	49,293	29,289	75,642	95,516	92,068	73,830
<b>Total Cash Receipts</b>		<b>55,950</b>	<b>83,644</b>	<b>34,699</b>	<b>76,095</b>	<b>18,602</b>	<b>145,539</b>	<b>45,991</b>	<b>49,293</b>	<b>29,289</b>	<b>75,642</b>	<b>95,516</b>	<b>92,068</b>	<b>73,830</b>
<b>Recurring Fixed Expenditures</b>														
ADEQUATE PROTECTION PAYMENT - SBA		0	0	0	0	0	0	0	0	0	2,512	0	0	0
PROFESSIONAL FEE CARVE-OUT (subject to court approval)		0	0	0	0	0	0	0	0	0	0	0	10,000	0
U.S TRUSTEE FEE (Deposit)		0	0	0	0	0	0	0	0	0	0	0	0	250
RENT EXPENSE		0	0	0	0	0	0	0	0	0	5,000	0	0	16,000
SHIPPING OUR		0	0	0	0	0	0	0	0	0	0	0	0	0
HEALTH/MEDICAL AND OTHER BENEFITS		0	27,727	0	11,270	0	4,229	24,437	0	0	0	24,437	0	0
NON-INSIDER PAYROLL (3 weeks)		12,991	11,262	12,170	19,356	18,937	18,628	18,628	18,628	22,177	18,628	18,628	18,628	18,628
INSIDER PAYROLL - Subject to UST Notice of Insider Comp		0	0	0	0	0	0	0	0	0	0	0	0	0
LEGAL and PROF FEES		0	0	0	0	0	0	0	0	0	3,000	0	0	0
INSURANCE (Including Workman's Comp)		0	0	0	0	0	0	0	5,124	0	4,214	0	0	0
UTILITIES AND PHONE (\$5,000 DIP Deposit)		0	5,000	0	0	0	5,000	11,304	0	0	0	0	2,124	8,200
AUTO EXPENSE		0	0	0	0	0	0	0	0	0	0	0	0	0
REPAIRS & MAINTANANCE		0	0	0	0	0	600	0	0	500	500	500	500	500
COMPUTER, SOFTWARE & SUBSCRIPTIONS		448	47	351	0	1,068	37	0	40	100	100	100	100	100
INTEREST (SBA PAYMENTS - Adequate Protection)		0	0	0	0	0	0	0	0	0	0	0	0	0
LICENSES, FEES, OFFICE & OTHER		0	714	580	121	354	786	1,014	3,389	500	500	500	500	500
<b>Total Fixed Costs</b>		<b>13,439</b>	<b>44,750</b>	<b>13,101</b>	<b>30,747</b>	<b>20,359</b>	<b>29,279</b>	<b>55,383</b>	<b>27,181</b>	<b>23,277</b>	<b>34,454</b>	<b>44,165</b>	<b>31,852</b>	<b>44,178</b>
<b>Variable Manufacturing Costs</b>														
RAW MAT. & HARDWARE		7,458	4,586	2,672	7,396	4,273	12,847	6,129	6,637	2,500	3,964	6,144	768	3,840
RAW MAT. & HdARDWARE -RESTOCK PURCHASES		0	0	0	0	0	0	0	0	0	0	0	20,000	
MANUFACTURING WAGES		12,465	13,890	19,653	11,801	10,290	11,200	11,148	11,148	13,222	11,148	11,148	11,148	11,148
OUTSIDE PROCESSING & INDEP CONTRACTORS		9,285	22,252	9,100	10,571	10,677	12,344	20,059	13,366	9,100	12,197	13,900	9,700	12,100
SMALL TOOLS		0	0	0	0	0	0	1,368	421	0	0	0	0	0
MANUFACTURING SUPPLIES		0	0	0	0	0	0	0	0	0	0	0	0	0
FREIGHT AND SHIPPING		0	0	0	290	0	0	1,644	0	0	1,500	2,325	291	1,453
<b>Total Variable Costs</b>		<b>29,208</b>	<b>40,728</b>	<b>31,425</b>	<b>30,057</b>	<b>25,239</b>	<b>36,391</b>	<b>40,348</b>	<b>31,572</b>	<b>24,822</b>	<b>28,809</b>	<b>33,518</b>	<b>41,907</b>	<b>28,542</b>
<b>Net Cash at End of Period</b>		<b>32,520</b>	<b>30,685</b>	<b>20,859</b>	<b>36,150</b>	<b>9,153</b>	<b>89,022</b>	<b>39,282</b>	<b>29,822</b>	<b>11,011</b>	<b>23,390</b>	<b>41,223</b>	<b>59,532</b>	<b>60,643</b>
<b>Net Change in Cash</b>		<b>13,303</b>	<b>(1,835)</b>	<b>(9,826)</b>	<b>15,291</b>	<b>(26,997)</b>	<b>79,868</b>	<b>(49,739)</b>	<b>(9,460)</b>	<b>(18,811)</b>	<b>12,379</b>	<b>17,833</b>	<b>18,309</b>	<b>1,111</b>

<u>4-Jan</u>	<u>11-Jan</u>	<u>18-Jan</u>	<u>25-Jan</u>	<u>1-Feb</u>	<u>8-Feb</u>	<u>15-Feb</u>
308,407	359,872	414,900	457,700	515,989	561,325	596,586
120,000	135,000	135,000	160,000	160,000	160,000	160,000
(68,535)	(79,972)	(92,200)	(101,711)	(114,664)	(124,739)	(132,575)
359,872	414,900	457,700	515,989	561,325	596,586	624,011

60,643	62,572	40,739	45,447	41,979	87,617	116,404
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68,535	79,972	92,200	101,711	114,664	124,739	132,575
68,535	79,972	92,200	101,711	114,664	124,739	132,575

2,512	0	0	0	2,512	0	0
0	0	0	10,000	0	0	0
0	0	0	250	0	0	0
0	5,000	0	16,000	0	5,000	0
0	0	0	0	0	0	0
0	24,437	0	0	0	24,437	0
18,628	18,628	18,628	18,628	18,628	18,628	18,628
0	0	0	0	0	0	0
0	0	3,000	0	0	0	3,000
4,214	0	0	4,214	0	0	0
0	0	2,124	8,200	0	0	0
0	0	0	0	0	0	0
500	500	500	500	500	500	500
100	100	100	100	100	100	100
0	0	0	0	0	0	0
500	500	500	500	500	500	500
26,454	49,165	24,852	58,392	22,240	49,165	22,728

9,216	10,368	10,368	12,289	12,289	12,289	12,289
	10,000	20,000				
11,148	11,148	11,148	11,148	11,148	11,148	11,148
16,300	17,200	17,200	18,700	18,700	18,700	18,700
0	0	0	0	0	0	0
0	0	0	0	0	0	0
3,488	3,923	3,923	4,650	4,650	4,650	4,650
40,152	52,640	62,640	46,787	46,787	46,787	46,787

62,572	40,739	45,447	41,979	87,617	116,404	179,464
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1,929	(21,833)	4,708	(3,467)	45,637	28,787	63,060
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## PROOF OF SERVICE OF DOCUMENT

I am over the age of 18 and not a party to this bankruptcy case or adversary proceeding. My business address is:

15260 Ventura Blvd., Suite 1200  
Sherman Oaks, CA 91403

A true and correct copy of the foregoing document entitled (*specify*): **DEBTOR'S RESPONSE TO COURT'S OSC RE. APPOINTMENT OF A CHAPTER 11 TRUSTEE**: will be served or was served (a) on the judge in chambers in the form and manner required by LBR 5005-2(d); and (b) in the manner stated below.

**X 1. TO BE SERVED BY THE COURT VIA NOTICE OF ELECTRONIC FILING (NEF):** Pursuant to controlling General Orders and LBR, the foregoing document will be served by the court via NEF and hyperlink to the document. On (*date*) 12/6/2024, I checked the CM/ECF docket for this bankruptcy case or adversary proceeding and determined that the following persons are on the Electronic Mail Notice List to receive NEF transmission at the email addresses stated below:

- **Kathryn M.S. Catherwood** kcatherwood@grsm.com, mbrookman@grsm.com;asoto@grsm.com;jswanson@grams.com
- **Alan W Forsley** alan.forsley@flpllp.com, awf@fkllawfirm.com,awf@fl-lawyers.net,addy@flpllp.com,andrea@flpllp.com
- **Nicolino Iezza** niezza@spiwakandiezza.com
- **David Leichtman** dleichtman@leichtmanlaw.com
- **Misty A Perry Isaacson** misty@ppilawyers.com, ecf@ppilawyers.com;pagterandperryisaacson@jubileebk.net
- **Christopher J Petersen** chris.petersen@blankrome.com, evelyn.rodriquez@blankrome.com
- **Matthew D Pham** mpham@allenmatkins.com, mdiaz@allenmatkins.com
- **David Samuel Shevitz** David.S.Shevitz@usdoj.gov
- **Jeffrey S Shinbrot** jeffrey@shinbrotfirm.com, sandra@shinbrotfirm.com;tanya@shinbrotfirm.com
- **Rachel P Stoian** stoian.rachel@dorsey.com, stell.laura@dorsey.com
- **United States Trustee (LA)** ustpregion16.la.ecf@usdoj.gov
- **Shane Wax** swax@leichtmanlaw.com
- **Courina Yulisa** yulisa.courina@dorsey.com
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**SERVED BY UNITED STATES MAIL:** On (*date*) 12/6/2024, I served the following persons and/or entities at the last known addresses in this bankruptcy case or adversary proceeding by placing a true and correct copy thereof in a sealed envelope in the United States mail, first class, postage prepaid, and addressed as follows. Listing the judge here constitutes a declaration that mailing to the judge will be completed no later than 24 hours after the document is filed.

Additional service list attached.

**3. SERVED BY PERSONAL DELIVERY, OVERNIGHT MAIL, FACSIMILE TRANSMISSION OR EMAIL** (state method for each person or entity served): Pursuant to F.R.Civ.P. 5 and/or controlling LBR, on (*date*), I served the following persons and/or entities by personal delivery, overnight mail service, or (for those who consented in writing to such service method), by facsimile transmission and/or email as follows. Listing

the judge here constitutes a declaration that personal delivery on, or overnight mail to, the judge will be completed no later than 24 hours after the document is filed.

I declare under penalty of perjury under the laws of the United States that the foregoing is true and correct.

12/6/2024

*Date*

Sandra Rodriguez

*Printed Name*

/s/Sandra Rodriguez

*Signature*